

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: NATURAL GAS SUPPLY AND COST REVIEW	DOCKET NO. RMU-99-11
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ORDER ADOPTING RULE MAKING

(Issued January 20, 2000)

Pursuant to the authority of IOWA CODE §§ 17A.4 and 476.6(15) (1999), the Utilities Board adopts the amendments attached hereto and incorporated by reference. These rules amend IOWA ADMIN. CODE 199-19.11 (2000). The reasons for the amendments are set forth in the attached notice of intended action.

IT IS THEREFORE ORDERED:

1. The amended rules attached hereto and incorporated by this reference are adopted by the Board.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr. /s/ Diane Munns
Executive Secretary

Dated at Des Moines, Iowa, this 20th day of January, 2000.

UTILITIES DIVISION [199]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 476.6(15), 476.1, 476.2, and 17A.3, the Utilities Board (Board) gives notice that on January 20, 2000, the Board issued an order in Docket No. RMU-99-11, In Re: Natural Gas Supply and Cost Review, "Order Adopting Rule Making," and adopted certain revisions to the Board's existing rule, 199 IAC 19.11(476). Before this amendment, 199 IAC 19.11(476) required the Board to conduct an annual proceeding and required each utility to file a 12-month plan and a five-year natural gas procurement plan by November 1 of each year. In 1998, the legislature amended Iowa Code section 476.6(15) to allow the Board discretion in determining the appropriate interval between reviews of a rate-regulated utility's natural gas procurement and contracting practices. The amendment to the statute removed specific review criteria and stated that the utilities must file information, as the Board deems appropriate.

In this rule making, the Board amended 199 IAC 19.11(476) to state that the Board shall periodically conduct a contested case proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated utility's natural gas procurement and contracting practices. The Board will notify the utilities 90 days prior to the time the utilities will be required to file a plan. In addition, in the years in which the Board does not conduct a contested case proceeding, it may require the utilities to file some information for the Board's review. The amendments to the rule remove the specific evaluation criteria from 199 IAC 19.11(4).

Notice of Intended Action for the proposed rule making was published in the Iowa Administrative Bulletin on November 3, 1999, as ARC 9441A. Written comments were filed on or before November 23, 1999 and a public hearing to receive oral comments was held on December 7, 1999.

Written comments were filed by MidAmerican Energy Company (MidAmerican), the Consumer Advocate Division of the Department of Justice (Consumer Advocate), IES Utilities Inc. (IES), Interstate Power Company (Interstate), and Peoples Natural Gas Company, Division of UtiliCorp United Inc. (Peoples).

All of the commentors supported the amendments to the rules. Peoples stated it supported the adoption of the proposed rules and urged the Board to implement performance-based natural gas procurement policies and procedures at some appropriate time in the future. Consumer Advocate requested the Board amend the proposed rules to allow an interested party to petition the Board to commence a contested case in any year. The Board finds it is not necessary to affirm that specific authority in this rule. Pursuant to Iowa Code chapter 476 and 199 IAC 6, Consumer Advocate or any interested person has the authority to file a complaint with the Board at any time it finds it is necessary.

MidAmerican expressed a concern that the amendment to the rule could result in a repetitious review of long term existing contracts. The Board will adopt the amendments as proposed. 199 IAC 19.11(1)"f" requires only a listing of all contracts executed since the last review. 199-19.11(1)"b" requires utilities to file contracts and arrangements executed or in effect for the future 12-month and 3-year periods.

Together, these requirements will give the Board all of the information necessary to review the utilities' procurement practices.

These amendments will become effective March 15, 2000.

These amendments are intended to implement Iowa Code section 476.6(15).

The following amendments are adopted.

Item 1. Amend rule 19.11(476), catchwords, as follows:

199—19.11(476) Annual Periodic review of gas procurement practices

[476.6(15)].

Item 2. Amend subrule 19.11(1) as follows:

19.11(1) Procurement plan. The board shall periodically conduct a contested case proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated public utility's natural gas procurement and contracting practices. The board shall provide the utilities 90 day's notice of the requirement to file a procurement plan. In the years in which the board does not conduct a contested case proceeding, the board may require the utilities to file certain information for the board's review. In years in which the board conducts a full proceeding, A a rate-regulated utility shall file by November 1 of each year a complete, prepared direct testimony and exhibits in support of a detailed 12-month plan and a 53-year natural gas procurement plan, specific where commitments have been made, for the period commencing September 1 of the current year. A utility's procurement plan shall be organized as follows and shall include:

a. An index of all documents and information filed in the plan and identification of the board files in which documents incorporated by reference are located.

b. All contracts and gas supply arrangements executed or in effect for obtaining gas and all supply arrangements planned for the future 12-month and ~~53~~-year periods.

~~c. A list and description of all other contracts or arrangements for obtaining gas reasonably available to the utility for the future plan periods which the utility did not execute.~~

~~d.~~c. An organizational description of the officer or division responsible for gas procurement and a summary of operating procedures and policies for procuring and evaluating gas contracts.

~~e.~~d. A summary of the legal and regulatory actions taken to minimize purchased gas costs.

~~f.~~e. All studies or investigation reports considered in gas purchase contract or arrangement decisions during the plan periods.

~~g.~~f. A complete list of all contracts executed ~~during the previous 12 months~~ since the last procurement review.

~~h.~~g. A list of other unbundled services available (for example, storage services if offered).

~~i.~~h. A description of the supply options selected and an evaluation of the reasonableness and prudence of its decisions. This evaluation should show the relationship between forecast and procurement.

Item 3. Rescind subrule 19.11(3).

Item 4. Amend subrule 19.11(4) as follows:

19.11(4) Evaluation of the plan. The burden shall be on the utility to prove it is taking all reasonable actions to minimize its purchased gas costs. The board will evaluate the reasonableness and prudence of the gas procurement plan, ~~considering:~~

- ~~— a. Volume, cost and reliability of the major gas suppliers available to the utility.~~
- ~~— b. The cost of alternative fuels available to the utility customers.~~
- ~~— c. The availability of gas in storage.~~
- ~~— d. The extent to which mix in contract terms ensures reliability.~~
- ~~— e. The legal and regulatory actions taken by the utility to minimize the cost.~~
- ~~— f. The gas procurement policies and practices.~~
- ~~— g. The price paid by other utilities for comparable contracts.~~
- ~~— h. The spot market for gas.~~
- ~~— i. The futures market for gas.~~

Item 5. Amend subrule 19.11(5) as follows:

19.11(5) Disallowance of costs. The board shall disallow any purchased gas costs in excess of costs incurred under responsible and prudent policies and practices. ~~The gas portion of the base rates and the~~ PGA factor shall be adjusted prospectively to reflect the disallowance.

January 20, 2000

/s/ Allan T. Thoms
Allan T. Thoms
Chairperson